Interview with Rob Monster, Epik.com

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Before we get started, you know DomainTools.com, right? I can type whois.sc/domainname really fast and I do it daily, but until recently I didn't know how powerful their other tools were. If I want a domain name, I can set a free alert to notify me when it changes status. If it goes to auction, I can use their sales history tool to find comps and determine my maximum bid price. After I buy it and develop the domain into a business, I can set up alerts for any domains registered that contain my trademark, and I can set up registrant alerts of all my competitors so I can keep an eye on what domains they're buying and know what they're up to before they make any announcements. DomainTools.com needs to be in your toolbox, like it is in mine. Go sign up for an account on DomainTools.com today.

My second sponsor is David E. Weslow at Wiley Rein. Imagine having a legal issue, like a UDRP or cease and desist, imagine having to get an agreement put together quickly for buying or selling a domain name, and imagine going to your family lawyer who just doesn't get it, or one of the expensive law firms in your city who are going to invoice for thousands upon thousands of dollars. Then imagine going to David E. Weslow, who will understand your domain name portfolio and your intellectual property assets, understand the domain name environment, and be able to help you out. David E. Weslow. I trust him, and I suggest you give him a call. Your initial consultation is free. Call David E. Weslow at Wiley Rein.

Finally, our newest sponsor is Protrada - The Domain Exchange. Protrada is an amazing new platform for professional domainers and new-comers alike. Protrada makes trading domain names easy. With just a few clicks, you can analyze, bid, buy and sell domains across all major marketplaces including NameJet, Go Daddy, SnapNames and Craigslist. You can also develop stagnating domains you own into great-looking, content-rich, socially-active websites that will rank at Google and Bing. This tool is more comprehensive than any other I've seen. If you only use it for it's 21 powerful buying filters,
you'll get your money's worth. Get your free 14-day trial now at Protrada.com.

Here's your program.

Michael Cyger: Hey everyone, my name is Michael Cyger. I'm the publisher of DomainSherpa.com, the Domain Name Authority, and the place where you can learn how to become a successful domain name entrepreneur directly from the expert themselves.

Domain investors know that parking domains have financial benefit several years ago but today a majority of parked domains don’t receive enough revenue to even cover their registration fees. I attended a conference earlier this year and struck up a conversation with an engineer that had a portfolio of about 500 undeveloped domains. When I asked him about parking revenue, he produced an Excel spreadsheet showing me that only two of his domains produced revenue. And the revenue was $7 and $25 for the last year. A sad state of affairs.

Today’s guest is working to deliver a solution to this problem. Instead of parking domain names, you should be developing them. And his solution not only can provide a website that out performs parking revenue but also makes the web a better place by producing websites with real content using a process called Scalable Domain Development.

Today’s guest is Rob Monster, the founder, chairman and CEO of Epik. Previously Rob founded GMI (Global Market Insite) an online polling and market research firm. GMI had sales last year of $64 million. He is also the founder of Monster Venture Partners, an early-stage venture capital fund based here in Seattle, and chairman or CEO of multiple startups that we'll learn about today. Rob welcome to the show.

Rob Monster: Thank you Michael. Great to be here.

Michael: Where are you right now Rob? It looks like you are outdoors.
Rob:  Yes I am at my home in Seattle, Washington. This is what I call my summer office.

Michael:  Wait a second. You are claiming to be in Seattle, Washington, and I see the sun shining?

Rob:  Oh yes. I’ll show you. This is my summer office and you will see in the background a lake and some views on the lake. And it is quite nice here. We have some land so this is where I work when I am not working abroad or remotely. So this is my summer office and one of the great things about running into that company is the opportunity to run that business from anywhere. And I certainly have take full advantage of that unique aspect from home being an Internet entrepreneur.

Michael:  How do you get any work done when you are staring at something beautiful like that every day?

Rob:  You know Michael I am one who tries to combine work and play throughout the day. I have children and a wonderful wife who also has a successful career and as a result we have lots of demands on our time and we try to combine work and play. So for many people who work with Epik and me individually they are experience is that I am always on. The reality is the day starts at 6:00 in the morning and ends around 11:00 or midnight. About 12 hours a day I am doing all kinds of things whatever it is that strikes my fancy. So that is going to be one of the unique aspects of running an Internet company. And as mobile Internet continues to mature I think people’s ability to take their work anywhere and even be able to do an interview like this not from a laptop but from a mobile phone. All those things are really maturing at a very rapid rate. So it is a very exciting time to be an Internet entrepreneur and I think that the pace of change will continue to accelerate.

Michael:  I agree and I love living in Seattle because there are so many text startups like your company. So Rob your previous company GMI I see was just in the news two days ago. It was purchased by Kantar which is a business of another company. But I also read that you left the company GMI in 2007. How did that work out that you left the company in 2007 but it was actually sold a couple of days ago?
Rob: Well the company was acquired by WPP Group and the operations of GMI and the entire capital base evolved into WPP subsidiary of Kantar Group. WPP is a huge global company. And Kantar is their market research business. The market research business is a large portion of WPP and the other large business is advertising. And it is a London based company and Kantar is to a large extent an east coast based. It is a great acquisition. The stakeholders includes three top tier venture capital groups, Technology Crossover Ventures, FT Capital and Voyager Capital and I think that in these climates it was a great outcome and stakeholders are very happy. So I myself am a large shareholder of the company, or was, am also pleased with the outcome. So we are very enthusiastic about that.

Michael: Are you still a shareholder after the transaction?

Rob: It was actually an all cash transaction. The actual cash amount wasn’t publically disclosed in part because WPP is on the hunt for quite a number of other prospective acquisitions. And so they requested that the cash amount not be disclosed. But I can tell you that it was a very significant amount. And it was one of the larger acquisitions that Seattle has had in 2011. I left actually in early 2007. I had run the company for 7 straight years. I ran the business every year for 7 years. And the business had grown to about 300 employees. And once you get to a company of that size really the character of the company starts to evolve. You move from being a company that is focused on experimentation and innovation to being a company that focuses on what people would call keeping trains running on time. I call that looking accounts every day, twice a day look at accounts. So from my perspective that is not my strong suit. I’m more of an innovator and what I would characterize as a visionary entrepreneur capable of looking at a lot of data from a lot of sources and being able to anticipate and eke to out what is going to happen and develop enough strategies and take advantage of what I think is around the bend as it relates to operating a business with 300 employees, serving customers in 80 countries, there are other people who are actually better at doing that. So I actually stayed on the board for an additional three years, three and a half years after having grown the business to about the size at which it sold. And in the meantime the company had become very profitable and I think that was another key advantage of bringing in a
management team that had a history of keeping the train on time and preparing the company for either public offering or private sale to a strategic buyer. And I would have preferred to ring the bell on the NASDAQ but all things considered in these crazy capital market climates I think that this was a great outcome and the fact that it was all cash means that there is very little in the way of financial extension risk.

Michael: What was it like a couple days ago to sign on to your online account and see the zeros increase in your bank account from a wire transaction that probably occurred?

Rob: Of course it is always gratifying to see an excess and I think as an entrepreneur one of the measures that you have is if you do a good job it the size of the excess. It is really not the primary metric that I use to gage if I do a good job. And also this was not the first time that I had an excess. So that being said though it was a great feeling and a sigh of relief of a standpoint of just recognizing that we are in a kind of unusual capital market climate therefore being able to move from all equity to all cash for balance sheets has advantages.

Michael: Are you going to go out and buy yourself a new toy, a new car, maybe something for your wife or kids.

Rob: We just got back from a wonderful vacation in Jamaica. We spent 17 days there. Most would not really have noticed that we were even away because I take my work with me. And so that I think that we are empty indulged and I think that in these times one has to moderate with their use of whatever it is that a creator has provided for them. So I think that from my perspective better to reinvest and help other people also give successful sources of financial independence. And ethic is one of the rules that I can do that.

Michael: And with revenue of $64,000,000 last year I’m sure the purchase price of GMI was quite a sum. You said you are not at liberty to disclose that information. Can you say if the sale was a multiple of earnings for the company? Did they base the purchase price on a multiple of earnings?
Rob: Yes it was partially based on a multiple of cash flow and a multiple of earnings. And the company was very profitable and the profitability was rising rather quickly as the business was continuing to be optimized.

Michael: What was the profitability, its range?

Rob: It was well north of $10 million and beyond that I probably couldn’t disclose. But it was a very profitable business.

Michael: So clearly you are no stranger to the online technology world. GMI was an online powerhouse. It’s going to be merged with another online powerhouse and become one of the leading market research firms. So you have an online background. You built a company that was wildly successful, 100% growth every year, profitability since 2002 when you started it in ’99 I believe. How did you first become interested in domain names as a business?

Rob: That is a very interesting history actually. Even while running GMI I started to dabble in domains. In fact GMI owned about 3,000 domains related to the market research variable. And in the process of transferring out of the day to day of running GMI I actually bought the portfolio from the company and that was my start in domaining. I didn’t become a full time domainer until early 2009. And the history there is that immediately following GMI I started an angle investments firm as you know, Monster Venture Partners. A company that made about a dozen investments and many of those investments really revolved around domain names and developing domain names into businesses. Healthcare.com in the meantime was making a wild success. It was a great example of taking a domain name and turning it into a business. Internet Real Estate Group which was another angel investment as well as DevHub, are both examples of companies that have been doing interesting things around taking domain names and turning them into content heavy properties that can be indexed by the search engines. But I felt that neither of those companies really had practical on how to do that with scale and to do that with the number of quality that would be the foundation which would accrue sustainable high quality traffic.

Michael: Forgive me Rob you mentioned a whole bunch of different businesses right there. I want to dig into each one of these because I think
there is something to be learned from each of those. You didn’t just come up with the idea for Epik right from the beginning when you left GMI in 2007. You actually had a succession of activities. So you left GMI in 2007, you started the angel fund called Monster Venture Partners based in Seattle. Correct?

Rob: That is right.

Michael: So the idea was you had this portfolio of 3,000 domain names related to market research. Did you start Monster Venture Partners to try and develop those out or to look for other opportunities related to domain names? What was the initial purpose of Monster Venture Partners?

Rob: I think the main purpose of me coming out of GMI after spending a few weeks in Mexico was recognition that says ok I’m too young to retire, I have too many ideas and so what is it that I can do? And I know the classic trap of entrepreneurs is that when you leave one thing you immediately embark on the next idea that you have while having too many margaritas on the beach in Mexico. And I didn’t want to fall into that tragic trap. I said let me go down a little bit and I’ve been real careful to invest for many years. I started trading stocks when I was 12 years old. And so it was a logical thing for me to combine my entrepreneurial interests and instincts with my understanding of capital markets having been on the other side of the venture constructs to start the angel funds. And really a kind of unique angel fund. An angel fund that I refer to as investing kind north of an angel south of an ac. What I mean by that is kind of the switch of a few hundred thousand to as much as a million or so in a single transaction and that was rather unique because most angel investors were investing $25,000, $50,000, $75,000, $100,000 and kind of kicking and screaming to doing any type of follow on investment, and not necessarily in a position to add much in the way of strategic value or insight. So I thought there was a gap in the market and I used what resources that I could to build essentially a very dynamic angel fund that was capable of taking bigger bets and more importantly aligning those bets around a kind of forward looking vision for what the Internet might become. So the eco-thinking system that you see today with Epik actually has its origins going back to 2007.
Michael: Right to those early days of the fund. And so when you started the fund was it all your money or did you have other partners that came into the fund as well?

Rob: No it was all my money. In fact I think at one point raising an outside round of capital and back in 2008 (which would have been around the time that we were contemplating the capital remains of around $40,000,000) the capital market climate really had taken a huge hit and I think everybody can remember Newman Brothers followed by Burn and Sterns followed by a new collapse of the AIG and we still are to some extent still recovering from the market generations that took place back in 2008. And so rather than continue to fight the ultimate battle of raising a growth fund for MVP much of the feedback that I was getting from the various authorities that I was dealing with in the context of raising an angel fund, we revolved around the message that says what you have got here is an operating company not a classic venture fund. Why don’t you form an operating company that except where MVP left off and run it as a CEO because my track record as a CEO was pretty well established by this point? And to I took the advice after hearing from the third smart guy in a row and started Epik. So since I was nine I consolidated some of the biggest ideas that were in incubation at most adventure partners and formed…

Michael: Okay but before we get there I’ve got a couple of questions for you. So in 2007 after you started Monster Venture Partners you had a flurry of activity in investment that took place. One of the first was Healthcare.com. I saw online that it was a portal for patient centric care that featured proprietary search engine, global care provider directory, community features. I saw you put that it was profitable, debt free and growing like a weed at that time. Healthcare.com, did you actually contribute money, the domain name, your energies, what did you contribute to that venture?

Rob: That was a great experience actually. Matias de Tezanos, the founder of Healthcare.com had acquired the domain name and I approached him about the domain name that he had acquired in part because what I was working on at the time was trying to identify who had ultra premium domains that had not yet been developed. To see what might be an opportunity to do with those kinds of value domains. And he had recently made that investment and was
still working on a business plan for how to turn that domain name into a business. And so I arranged to meet with him. And we developed some comradery around the region for healthcare, my wife is a doctor and I also have a lot on interest in healthcare and some of my earliest entrepreneurial projects had to do with healthcare. So it was a logical fit for me. So I made an investment. It was a significant one as it was the largest one that I had ever made. And I also joined as chairman of the board, and then worked closely with the management team for more than a year in building the business. I was recently on a Skype chat with Matias and business is doing absolutely fantastic. I think the business is doing I think a little over $60,000,000 this year in revenue in part because of gotten an acquisition of an offering company that is very strong in lead generation and lead provisioning for insurance which health insurance is the largest.

Michael: It’s really turned into a lead generation company for actual insurance companies. So back in 2007 when you approached him he had spent probably I’m going to guess seven figures to buy the domain name Healthcare.com?

Rob: Yes I think $2,000,000 and change.

Michael: And you contributed some of your money to this new entity. Was it a legal entity you formed and he contributed the domain name and you contributed some capital and you used that capital to them develop out the website?

Rob: The entity was formed at that point and it was still in the early planning stages of building an operating company and one of those things that I think healthcare forum did exceptionally well in the early days was to figure out how to track SEO for it. And at one point Healthcare forum had 20,000,000 pages in Google.

Michael: So how did you do that? How did you create a website that had so many web pages that were automatically generated I guess? Where did all that content come from?
Rob: Most of it was directory. Bear in mind the original information of healthcare forum was directory from which all the content that you could license from publishers, ADAM was one of the better new ones. And to Matias’ credit the guy is an SEO genius and he did a fantastic job of reverse engineering the algorithm to figure out what it is that Google is looking for. And in the process of doing that managed to rack up a very well executed SEO framework and methodic back-testing to the form that at one point there were literally more pages indexed on Healthcare.com than there was in Wikipedia.

Michael: So he bought Healthcare.com for $2,000,000 plus change and he was a web development expert himself. He knew how to develop websites and search engine optimize them to get them all that content to the top of Google for searches. So that is quite a unique combination. Was he successful from a previous business that allowed him to have the capital to buy the domain name?

Rob: Yes Matias is a serial entrepreneur in Guatemala and I think a great guy for you to potentially have on the show.

Michael: Yes definitely. I will have to dig in more to just healthcare and find out how that can be replicated today.

Rob: It is a great success story in two perspectives. Number one was the kind of capital efficient approach to building a dominant web presence around search terms related to healthcare. And then second to Matias’ credit he really studied where does the capital go? And what I mean by that is where is the money that is being made in healthcare and one of the biggest areas frankly is insurance. And you could either try to develop advertising relationships with pharmaceutical companies which are other guys who are making a killing. But that process of developing advertising relationships is very tedious. Many media firms, advertising firms that manage the other accounts for our corporations like Pfizer will be spending money in 2013 that will have already planned that spend at the end of 2011. And so if you actually want to build a business and grow it in a hurry the opportunity that we got will not be that great. If you take an advertising route because most of the money is selling direct ads to the largest and deepest pocketed buyers of media.
So Matias was actually the one that identified an acquisition campaign from Brokers Web and then completed an all cash purchase of that company. And that only was the springboard of turning that business into a real success story. I think the insight there and one that I replicated subsequent with some of my other developments is that when you think about a domain name is that you can legally run from anywhere and therefore you also have the flexibility of taking an existing operating company that may already have people, customers, prophecies, vendor relationships and combine that to a rebrand in combination with a great domain name. And that in effect is what Matias was able to do with Healthcare.com and the results are fantastic.

Michael: Quite impressive, $60,000,000 in revenue. So when you initially approached Matias he contributed $2,000,000 in domain name and you contributed some amount in compensation. Was that essentially that monetary contribution was that how the shares were distributed in the entity?

Rob: The actual capital structure is such that I can’t actually assign a valuation. This is how startups work and I think it is informative for anybody to know what of the unique aspects of starting a company is that you get to actually create the capital structure. So you start a company and you earn 100%. Now you put a price on it and the price is a function of both person individuality and future hope for outcomes. And you assign a value with a market cap to the enterprise which is now been created. And you can sell shares with the evaluation that the buyer and seller deem appropriate. And that is how the equity was priced. I and also some other seasoned entrepreneurs all contribute capital at the time. Total capital range was under about $6,000,000 if memory serves correctly. And the company ended up not using the majority of the capital so it was a great outcome from the standpoint of capital efficiency and I think UTSD did a masterful job of managing the day to day uses of cash. Feeling early, feeling cheap, controlled experiments, and then scaling what worked and what worked for its legion.

Michael: When you formed that legal entity was there one entity that was better for multiple investors like you had than another? I’ve only formed LLCs in the past. But did you form a C Corporation or something that was
easier to work with from a legal standpoint in terms of having multiple investors on the capital structure?

Rob: As a general guide I would say starting an LLC for openers because of one primary benefit and that is that you get to consolidate your losses back to your personal tax return. And so you get the benefit of minimum liability which is why you form a corporation in the first place. And you will have your further benefit of being able to, in the early years when the business is still being validated as a business model you can consolidate the resulting losses against your personal tax return. As you take on institutional investors the challenge with that approach is that almost all institutional investors, venture capital guys, property equity guys, they all pretty much will require it to be a sequel. Why - Because they don’t want the OK1. So every year as a partnership you will file a report OK1. And those OK1s will then be consolidated into your master return. And it’s not really common with startups that are underfunded that you may be waiting three, six, nine months for them to complete the OK1 for you to do an examination. And so most private equity groups and substantial venture groups will insist that the entity be a sequel and largely because they just don’t want to deal with any tax consolidation.

Michael: That makes sense. The last question that I wanted to ask you about that was a lot of domain investors today have decent domain names (maybe not as good as Healthcare.com) but a decent domain name that could be developed out and they are looking for somebody that can do the development. So what would you recommend to a domain investor that owns a good domain name, find somebody that can do the development, so it isn’t going to contribute very much capital, it is really going to contribute sweat equity in design and development of the website? What would be your advice to them to form that structure? How would you recommend they form that relationship?

Rob: I think that domain developments are classically an experiment. What you will find is that you will start a business and you will assume that you have the right business model and then often times discover that the theory that you had on how the business could make money isn’t what you thought. And so from the standpoint of how to approach it I think there are a couple of
very logical ways to do it. The number one preferred approach that I would recommend to somebody who has a great domain is to go find a merger partner. Go find an operating company that already competes in the business that you would like to be in and bring your domain name in. There are some success stories that have basically taken a category defining domain name, married it up with an established operating company and created a much more valuable enterprise in the long run. And you know which works, one of your recent guests and doing that with Candy.com is a good example of how to approach that. And he managed to do it in a way that actually had a lot of very favorable characteristics from his standpoint but also from the standpoint of the partner.

The other approach is more of a JV approach. So now you are dealing with an individual or group that has a variety of capabilities, maybe they know something about the category that you are going to compete in or maybe they are just a very capable developing organization. And there what you care about is making sure that it is a priority, and making sure that there is a fair amount of mis-containment. So if that business does not for example deliver against the operating objectives that were set out, that you now essentially have the domain name encumbered in the form of that partnership for perpetuity in the absence of some kind of performance. And so the way that I have seen this done recently is people putting forward limitations for example one year, two year, three years in time that, back to the ability of the one partner or the other, to dissolve the LLC if it is not performing. So I think that is probably the other approach that you might want to approach. But blindly going into the LLC structure with no performance criteria is really not the ideal way to approach it unless you have a great deal of confidence of for example capital contributions being made into a certain integral. In other words substantial skin in the game I would probably go for the performance assurance in order to have a counter measure in the event of non-performance.

Michael: That is great advice. One of the other investments that you made right after Healthcare.com was Patents.com - Actually United States Patent and Trademark office. So this was an acquisition of an operating company called Patent Monkey and you focused on creating the world’s first global
search engine for patents. Was that a venture that was as successful as Healthcare.com?

Rob: Yes, not at all. I would say Healthcare.com is in its own league. Patents.com is much more nations. And one of the reasons why we went after that business was in part of because studying who is making money in the patent space. And I was very impressed actually that a company in that space called freepatentsonline.com and if you do a search on the patents then the odds are very good that you will come across a patent that has been indexed and ranked by Google for freepatentsonline. And I think what is unique about freepatentsonline and a link that I saw was very similar to Healthcare is by executing in first move or manner against the strategy they were able to become Google’s kind of go to address for a certain genre of content. And I happen to know in-depth about the financial performance of freepatentsonline having contemplated an acquisition of that company and met with their bankers on a couple of occasions. And I would say they really nailed it with two entities working part time they had a complete cash machine generating millions of dollars of free cash flow.

Michael: How were they generating that revenue? Was it through leads, was it through advertising?

Rob: The most brain dead business model your even saw. It was Ad Sense, nothing more and nothing less.

Michael: Millions of revenue just from Ad Sense because patent attorneys will pay that much for a lead.

Rob: Yes at the time the CPC for a patent related term was often $6, $7, $8. And so they had also high web share that they had secured from Google and they had a strong partnership and as a result the CPMs were rather high. And it was a great moment.

Michael: Having learned what you learned at Healthcare.com with Matias why couldn’t you knock them off that pedestal? You had a better domain name?
Rob: Yes we had the better domain name and was page rank seven domains.

Michael: It is still page rank seven. So clearly Google gives it a lot of goodwill.

Rob: I think there is a classic first mover in the industry story here. And I think the lesson to be conveyed to anybody contemplating developing a premium domain name is to be very cognizant of what you are up against. And freepatentsonline had the page rank of eight or nine and so already Google had conferred a high degree of trust in authority to a domain name that you and I would conclude because it doesn’t sound very good but Google had anointed it as trustworthy. And so you may have a category defined domain name with a very high page rank or low page rank but if you are up against an incumbent that has an established site with a high page rank and a lot of index pages then there is a challenge. The challenge is not to necessarily rank on the first term of patents as much as it is the challenge to rank on the wrong tail. So the seven, eight, nine million patent documents that are available from the US Patent Trademark Office that is considered to be the original content. And how can you make the content more original?

Well we shoot a couple of strategies. And strategy one was we were the first guys to go and translate US language patents, English language patents, into foreign languages. And the Spanish package was actually made as much or more money as our US Patents made.

Michael: Very interesting. So you can take seven million pages of content lets say, documents of content, and suddenly double that with translating it all.

Rob: In fact we made it bigger than that. We went after more than 10 languages. And so we were the first to take a verbal approach to be able to take patents from around the world, bring them into one search engine and value as a user to search a patent in your own preferred language.

Michael: I’m going to assume that you used an automated translation program because trying to get somebody to translate that would have cost you tens of millions of dollars.
Rob: Classic model of partnership. We partnered with a Las Vegas based company called Word Lingo. A company that I had also approached in the context of a media investment so once again kind of a Cinergy emerging and we brought in Word Lingo as a business partner to manage the translation. In fact they also managed the hosting. So we essentially took the DNA of Patent Money which we acquired and applied that to the scalable task of translating massive numbers of documents and putting them in a highly scalable search engine. So we do cluster. Same technology that powers Ad Word search and that became the foundation that we proceeded to build Patents.com.

Michael: And you still with all of those pages, with all of that investment you couldn’t knock off freepatentsonline.com.


Michael: Alright so you are still going forward with Patents.com.

Rob: Absolutely.

Michael: Because who knows what could happen. Freepatentsonline could go into bankruptcy tomorrow and suddenly the website gets taken down and it is sold for $100,000 and you have got the number one website then.

Rob: Google is a fickle one. And so you never know what to expect and yesterdays winner could be tomorrows not so winning. Stay tuned on that.

Michael: So I also ran across later in 2007 you became a partner with Internet Real Estate Group. I had trouble understanding how Monster Venture Partners, your venture capital fund which contributed to Patents.com and Healthcare.com related to Internet Real Estate Group which also had a portfolio of businesses including Software.com and Patents.com, Phone.com. How did those two businesses relate to each other?

Rob: I would say it is very interesting Andy Miller and Mike Zapolin…they actually held patents.com. So my original introductions into the Internet Real Estate Group was to approach the Internet Real Estate routine about
developing Patents.com. And perhaps the relationship got into a discussion into how could we potentially do more of same. So I made a significant investment into the Internet Real Estate Group and I joined as an advisor and then proceeded to take a few other projects under my wing to see what could be incubated. And that for me was very insightful chapter in my professional life, deeply understanding domain name developing as a process and recognizing that there is a balance between doing what is relevant within the scales. And around the same time backing what you know as DevHub today and so I had the other end of the spectrum which was a company that was building massive numbers of domains in a completely scalable way. And so on the one hand we had Internet groups moving highly customized super premium names and DevHub, formerly known as EVO Landing, building long tail names and doing it with a high degree of automation. And that spectrum really is what we needed to indentify affiants’ meaning some that you could do both of these things but do it better and combine the skill and methodology of a DevHub with a quality of execution of the Real Estate Group.

Michael: I want to ask you more about DevHub but I have one more question before then. Because you did so many deals in the early days before you got at going that I think a lot of other domain investors can learn from. I read in 2008 you teamed up with the Castello Brothers. Michael and David, I had them both on the show, their company CCIN, Castello Cities Internet Network and you developed Traveler.com into a global travel portal. Did that take place as the Traveler.com that I go to and see on the web today influenced by what you did with them?

Rob: I have to check it but I think that Traveler.com that we built for them is still the one that is running today.

Michael: So you built the website for them. They contributed the domain name, you built the website.

Rob: This is a classic story. Testing a model and trying to build capability. In the case of Traveler.com we pursued an advertising centric model. This would have been in 2008 that we were embarking on centric advertising model profitability of flight based travel by that point kind of deteriorated so
the margins that were available to do flight lead gen was fairly insignificant. Hotels are still lucrative and car rental is still lucrative. But flight which is what the majority of the revenue seems to go was not very profitable. And so we actually went and recruited a CEO to run the business and I put in about $100,000 in working capital to kick start the business. And then after about nine months or so we were really not seeing enough progress from the standpoint of return and achieving potential to satisfy Michael and David in terms of their expectations for performance. So really at their request we handed them the domain back and wrote off $100,000 in escrow. And that was the end of that chapter.

Michael: So that was your M.O., your modus operandi. You would try different things. You would invest some money or you would invest some time. Somebody would contribute a domain name and you would see if you could make a go of it and you would probably check to see if nine or twelve months down the road you would set some operating goals by which you would try to achieve those goals and if you couldn’t achieve them you part ways? They lost the use of the domain name for awhile, you lost some investment and you learn and you move on.

Rob: Yes exactly and in the process of doing that we really developed a lot more insight into how you develop a scalable methodology. And one of the biggest insights that I got from all of this was developing a methodology which allows you to make money as you go. So rather than putting $100,000 into piloting a startup we dedicated management team to determine if we have a viable valuable position we developed literally incubating a domain name, establishing a base of traffic, and monetizing the traffic at a level that is projectable and now we have the ability to correlate traffic to revenue we could actually model the impact of what would happen if you brought in an additional expense such as a dedicated management team or hire a CEO for example to take that business to the next level. And that really was the insight that led me to developing some of what you see on Epik today.

Michael: So developing a methodology to make money as you go so you are not waiting for the big landfall to hit twelve months from then where you have got the investment and you are not sure if you want to invest anymore. You are trying to get money as you go. How do you do that?
Rob: One of the great things about building websites today is that in the real world affords you a significant amount of free traffic. And if you have content, preferably original content, and you combine that with a category defining, or descriptive or keyword rich domain name, you will get a meaningful amount of free traffic. And you will get free traffic every day. And that free traffic you can now engage in a living laboratory of the website where you now try to convert that visitor into a behavior that makes you money. And that is exactly what it is that we do at Epik. We have developed a methodology which allows us to take a domain name and with relatively little cost turn that domain name into a website that is getting free traffic starting from the go and now you can monetize that traffic. And once you have got the basic traffic that you are monetizing you now can make other projections. You can say if I now pay for traffic or if I make a further investment in driving more organic traffic or having the brand you have already a projectable ratio that says if I put this much money in I’ll get this much money back. And now you can scale profitably. And that is a need, an area where I think many domainers have really struggled. Most domainers are not business people. They have not actually built businesses. There are exceptions and many of those exceptions are also bar ters and so they share their thoughts and experiences from the day to day data field. That field of significant businesses. Most of what I have discovered is that there is a scalable approach which allows you to take a portfolio of domains or individual domains and on a net cash-for-cash basis you can recoup your investment rather instantly and now you are getting more of a foundation of strength as opposed to a foundation of accumulative deficits. And so people who are already paying renewal fees every year the last thing they want to do is to be what I call ‘feeding the dragon’. And that is the classic trap that many people fall into is they build a startup and what they discover is they are not generating a cash flow, not that they generated a cash flow from parking before. But now they have the issue of how do you fix costs. Maybe they have roofing costs maybe they have developer costs and maybe have other contractual commitments in the form of minimums like if they have a merchant gateway they might have a monthly minimum and so there are a lot of g-lifted costs that are associated with moving one off custom websites. There are cost not necessarily run off costs they are often recurring costs.
And so the challenge is from the developers’ perspective is to develop a methodology to be able to add value without creating accrued costs.

Michael: So let me ask you about that. I want to talk about scalable development. We are getting to the point now where in 2008 you made an investment in DevHub. We were introduced by Braden Pollock. Thanks to Brandon I learned about what you are doing at Epik and how you acquired DevHub and how you used that as one of the central cores of Epik. How did you first discover DevHub in 2008?

Rob: Actually it was in 2007 an angel investment. The founders Mark, Michael and Daniel West and Jeff Newball came to our offices in Belleview, Washington and they pitched us on making an investment. And one of the more colorful venture pictures that I ever saw and I was impressed. I saw the audacity of the vision which was how do you go and develop a domain name to a scalable way and that was an idea that I was already thinking about. So the thesis resonated with me. So I made a major investment in the company being the chairman of the board and steered the company through a subsequent round of financing and brought in some other guys that were decorated entrepreneurs who have in many cases engaged with the company not only financially but professionally and make a fascinating director. And that company is actually off onto a very good track where there have been successes in powering and building themselves websites predominately for directory companies. And so people who publish Yellow Pages and that sort of product they cater to small businesses to typically have key departments and want to go on a website. DevHub provides a white page solution that allows you to go and get your own website. And they have also mentioned progress with ISPs and registrars. So name.com uses a white paper version to power a do it yourself website. Go Daddy has their own do it yourself website. And so anybody who is a registrar who is looking for a do it yourself site holder the DevHub product is outstanding. The white paper is best in class and we ourselves at Epik are looking at doing an integration to be able to enable people who have domains on Epik’s registrar to be able to build their own website.

Michael: Did you license the technology from DevHub to use on Epik?
Rob: We use only a very small part of DevHub from an operating perspective. We work with them for custom development and then some of those custom developments like the next generation of IP net our single side network. They grew MasterBucks which is our universal paying gateway - kind of our version of PayPal to be used across the eco-system. And they also manage some aspects of our dns infrastructure because of the large numbers of names that we manage. That is something that they do very well, having built their application in the same space as the powers that be Python. So I am very impressed with them as a development organization and the two companies are separate.

Michael: So they are two separate companies but they are doing a lot of the technology solutions for Epik?

Rob: On a custom basis. We are also in development in the Ukraine. We have a few development offers in the Ukraine where we have a few developers which came with the acquisition of the registrar business. And then our chief architects are here in Bellevue, Washington. And so the direction around development is really sheparded out of the Seattle area, out of Bellevue, but the technology of writing code is distributed to wherever it makes sense.

Michael: That makes sense. So Epik is essentially a way to take premium domains, scalably build out the website so that somebody who is non-technical can do it and then build useful content for the Internet that will be recognized by Google, Yahoo and other search engines. Is that in a nutshell?

Rob: Yes in a nutshell Epik is building a platform for scalable domain developments. And I wouldn’t limit it to premium domains - I think that is a misnomer. It applies to any domain name that is keyword rich. And that can be a name with a hyphen. It can be a name with two hyphens. It can be .net name, a .CO name, there are a lot of names that are keyword rich but are not actually getting significant traffic organically. If you ever want organic traffic with a hyphen like a .com then that makes sense as a parking candidate that can actually be turned into a developed site. However if you have king.net you are getting type in traffic. And so therefore what do you do? And that is a classic example of a domain name that Epik would build in a heartbeat.
because it is keyword rich. And so we can deliver a value proposition that gives the visitor to the site what they want. And gives the search engine a high degree of confidence that says if they index the content on the basis of the keywords that are reflected in the title tag and on the page itself then the probability from the search engine perspective is that the consumer can get what they want. Ultimately when you are building a website and you expecting to get a meaningful amount of traffic from Google you have to be predictable. You have to give people what it is that they want. You have to serve the pages quickly. You have to do it in a way that the buyers choose to and rank you those pages will continue to resolve and have consistent content for a very long time to come. That reputation is built over time.

Michael: Right. So let’s say that I registered today a non-premium domain name. I pay $7 for a domain name I buy medical-patents-online.com. It has got some search volume. I didn’t even look it up before we got on the interview Rob so I’m not even sure that it has been registered but I could see potentially it is not registered. So I go to Epik and I want to develop a patent site for it. Maybe it’s not the best one because you said that Patents.com had a hard time getting ranked but let’s assume that you didn’t and I’m going to develop a patent site as well. Can I use Epik to build that out? And what can I expect to achieve?

Rob: At the core we are a platform based development company which means to say what we are very good at is taking domain names that fit a certain pattern, like a product category name, and turning it into a product portal and we do that for a very low cost - $249 one time set up fee which includes upgrades and hosting, maintenance, support, monetization, content. It is a one-time investment. Truly turnkey and we do everything. We also give you a tool with which you put in an ad content and manage your site in a hands on way and there are users, what we call partners on our platform who are actually doing hands on content generation and enhancing the sites in meaningful ways and they are having a lot of success.

Michael: So for $249 I can go build my own website.

Rob: $249.
Michael: For $249 I can go build my own website. Is there an ongoing hosting charge?

Rob: No it is truly a onetime cost and what we are doing then is doing the design, or visual graphics, laying out the site and optimizing the site and it begins to get a meaningful amount of traffic you will be able to create a current cash flow to the owner of the domain as well as generating cash flow that can be reinvested in making the site more successful. So we actually get the majority of our benefit from the ongoing monetization of the site that we operate on behalf of the customer. So 50/50 share would be the typical arrangement but it can go as high as 80/20 a share in the owners favor depending on how much revenue that site will generate.

So in the example of Medical Patents Online we don’t have a platform that would map to that term so the logical place at that point would be to build a Word Press site for example that intends to get the site to link for that particular term. And that can be done for $249 as well. Once that site has achieved some level of ranking then there can be conversations such as: What do you want to do next? For some dollars more we can take that site and build a site that is directly for Medical Patents and create a following among persons who are searching for medical patents. That becomes then a relatively low risk because the site is already getting traffic and now how do you take that traffic and turn it into something that is more useful? And whether that is in the form of a search engine product or if it is in the form of helping people to buy and sell patents that are medical related is really a discussion that happens once you have established a foundation of consistent projected attraction.

Michael: I understand. So you need to rank well in the search engine and have consistent traffic in order to then take advantage of…

Rob: Yes.

Michael: So what domain names are best served by the Epik platform?

Rob: Right now I would say far and away the area would be in sell and quite are the highest performing in the entire industry is category names.
Michael:  What would that be?


Rob:  There are probably 100,000 categories of products that are big enough to justify having a standalone website where you can buy and browse and shop for products for those particular categories. So if you think about it the offline experience it would be like going to Orvis to buy fly fishing gear. You can go to Wal-Mart but you are probably not going to have the same user experience as going to a specialty store that caters to that particular customer’s need. And so if you think in that principle of segmentation and extended it to its logical conclusion, what I call hyper-segmentation, so it really becomes fashionable to have a store that sells a particular genre of product. Chevy Chic Furniture. Right? In the offline world you have a store and more likely than not I would not expect you to have a store in the physical world that caters to a very rich type of furniture because the probability of a customer that is interested in that product is in driving radius of that store is too low. However in the online world where you can do fulfillment on a global scale and search product on a global scale you actually have the ability to create these hyper-segmented stores. One of the challenges of having a hyper-segmented store is how do you create the convenience and trust factor of an Amazon and combine that with the ability to find what it is you are looking for. Amazon has everything. And they have also the convenience of one click and they have all the payment preferences. And so what we are doing with Epik is replicating some of the convenience and security of an Amazon with the overlay of owner operated stores that match into categories. So imagine a future state where you have 20,000, 50,000, 100,000 stores that are highly niche targeted in its individual categories that are interesting to targeted customer and are overlay with a unifying infrastructure. MasterBucks is a method of payment or payment system so your credit card information is stored in one place. It is a payment industry. You have one place to go. Which is one of the benefits of PayPal - Which probably you could go to PayPal and get it yourself. If you have a lot of stores the consumer has to decide when they come to a store for the first time
do they really trust that store? Or would they be better off trusting a shared brand. And a shared brand for us is MasterBucks for payment and Identity.net for single sign on.

Michael: So I was talking to a gentleman a couple weeks ago who told me that I can’t remember the industry but when somebody would start up a company they would go onto Google and they would have, instead of starting up one website for the company they would start up ten websites for the company, and they would use a lot of the same content but they would rewrite it with different branding and different lay outs and then they would buy different advertising on Google. So you may go to Google and type in fly fishing line you’d see five or ten ads down the right hand side all of them would be for that one company. They would basically monopolize everything that is going on Google. So similarly what you are allowing somebody to do is if they love fly fishing and they have a portfolio of fly fishing domain names, flyfishingline, flyfishingflies, flyfishingtackle.com, whatever it is they can go onto your site and create hyper-niche stores on each of those topics and then your system ties them all together?

Rob: Correct. So the starting point for most people is to go to an affiliate store where the site is monetized by converting visitors to paid clicks so that every time somebody clicks on a product that made money for the site owner. However the value in many cases is in actually converting transactions. And so in the latest version of product portal we have to be able to allow you to capture payment mediated through MasterBucks. And so we have created a payment clearing which allows the user to be able to use payment clearing, in other words you sold that fly fishing rod for $150 and you can buy it for $85 so now you are advertising the adult end between $150 and $85 and banking the difference. And so somebody might want to start with a product portal approach using an affiliate monetization because you can go buy 10-20-50 different sites and passively manage all of the sites with no order/shipping/billing logistics.

You can make the jump though to payment clearing now you have to deal with somebody’s Mom who is trying to get a chest of drawers to Wilkes Berry Pennsylvania before Tuesday because the kid is going to college on Wednesday. Right? And so that is a whole different nut roll. Somebody has
to decide when they are starting a business do they want to be in the fulfilling of the product or do they want to be in the business of capture, cash in business income with a portfolio of managed properties? Most people, especially domainers, option passive income mediated to an affiliate site and then they come to the fork in the road where you say okay do I want to be in the fly fishing line business or do I want to sell this developed ranked site to somebody who is?

Michael: So I go onto Epik. I have these domain names. I develop them out for $249 per domain name, right?

Rob: Correct.

Michael: That gives me content. That brings in catalogs from drop shippers from all around the world. You custom design it for me. It’s up, it gets indexed, we get more traffic. Then I split a portion of that revenue with Epik?

Rob: Correct.

Michael: And I get all the upgrades that come along with it when you improve and you add additional social networking and you add newsletters or whatever else is going to come around that you are adding to the entire platform. I get to take advantage of that?

Rob: Correct.

Michael: Why would I want to get paid in MasterBucks as opposed to hard cash?

Rob: Web shares are paid out every month on the 15th of the month. And that is paid out in cash. We are working on an option that will allow our partners, who are building in a platform, to be able to pay out to their affiliates. So let’s say you encourage somebody else to list your website on their website. And they send it to their friends as a mail out. Giving them the ability to payout to that affiliate and send it on the day that the transaction occurs. Now we get paid from our affiliates around day 60. We pay our partners on day 45. The affiliates want to get paid at day 0. So we don’t want
to necessarily give the affiliate on day 0 when it is entirely possible that they gain the system in order to dupe it into giving them the affiliate pay out. So one of the ways you can mitigate that risk is paying through an intermediate currency. And what I am describing there is MasterBucks. So with MasterBucks is actually a framework for being able to do payment clearing in a large scale across large sites so you can basically shop eventually at 1,700 sites and soon more, and pick any item you are shopping for and clear the payment without having to hand out your credit card to an unknown party and have a centralized history of the items that you bought from the firm. So the efficiency and the security and the familiarity of a large brand will provide the framework for getting a lot of free content by getting the sites on the search engines and giving the users exactly what they are looking for. If they are looking for fly fishing rods we give them fly fishing rods.

Michael: So let’s say that I start flyfishingrods.com up on Epik. And I don’t do anything to get it running. It just doesn’t take off. A better example is it does take off, I actually am getting some traffic. I’m getting some sales. There is a couple ways to value a website once it is up and running. One is you can just look at what the market will bear. Who is willing to pay $100 or $1,000 for the domain name in the website and then another option to value it is a multiple of the revenue. Do you help domain owners in the sale of their domain name once it is developed on Epik?

Rob: That is a great question. So today we have a market base where we allow anybody who builds their sites on the Epik platform and wish their sites for sale and that marketplace is called stores.epik.com. Many of those sites are younger sites. The sites that are remote and profitable often people keep for themselves after they sell off their high positions. But in addition to that we are working on two more things.

Number one we have piloted a leasing model where we are essentially the leasing agent. So let’s suppose that you build a store and you now want to sell it to somebody. And I was just speaking very recently to a guy who is a very active business broker who said that a year ago, or two years ago, he was routinely selling businesses for $100,000 to $1,000,000. And that in the wake of this ongoing downturn which I would argue started in 1999, it has been going on ever since, those business opportunities are no longer taking
There are big exits being sold to large public companies who can borrow money at 1% and then there are businesses that are being sold. But the whole $100,000 market and up it has largely gone away.

So what we are working on is how do you create an approach that allows you to buy and sell websites and do it in a way where it becomes universally accessible. If you can buy a site for a couple thousand dollars great. You now are the registrant of a domain name and there is a site that is turnkey, you don’t need a staff to run it, no hosting charges, it has no further operating cost other than the annual renewal fee of the domain. However there are still people who are even at that cheap that coming up with $2,000 to buy a domain name and turn it into a website. And so for those people what we have been developing is a methodology where you can license or lease the domain name of the website for 1% of the purchase price.

So instead of spending $2,000 on the domain website you are spending $20 a month. And now if the website makes $50 a month you are ahead of the game. And now you have mitigated your risk. Let’s say instead of buying one website for $2,000 you are leasing 10 websites for $200 a month. And now one of these is going to take off and I’m going to take the one that is going to do the best and I will decide then in three months. And so that model of being able to allow a user to be able to spread their risk, even with a smaller investment, and be able to focus in on the known winning horse. So you are incubating ten or twenty different websites knowing that one of these or two of these will become your primary business to scale. Initially as an affiliate and subsequently potentially as ecommerce or selling the sites to somebody in that business and renting a piece.

Michael: So if I go to Stores.Epik.com I can see a bunch of domain names that have been developed into websites using the Epik platform. But to your own admission a lot of these aren’t the real winners that domain owners that have a cash cow, let’s say, a website that is producing a decent amount of revenue they are going to keep for themselves. What in your opinion is the differentiation, or the differentiating factors between the winners and the ones that are for sale on Stores.Epik.com?
Rob: There are sites that are routinely making $1,500 a day and so those guys who have portfolios of properties that are racking up those kinds of revenues with almost no effort are quite happy. The difference I think between those sites and sites that are somewhat less is largely a function of how much can serration went into the site to begin with?

Michael: So I can get products and I can get content that you produce but really a differentiating factor is how much original content I provide?

Rob: Whether you provide or whether we provide it for you there are value added services where we will do it for you or we give you the tools. Very similar to somebody who for example builds a blog on Word Press. Word Press is great but you still have to do the work. Most of these platforms that are out there, quantum managing systems, have the added characteristic of yes they are easy to use but you still have to fair amount of work to turn them into something useful. In our case as a non-technical customer somebody can come in and we will give them a turnkey platform that fully works, you can operate the sight for perpetuity with no additional effort whatsoever. However if you have a little bit of time, an hour a week, to go in and tweak a few of your sites, write a few original articles about something that you are passionate about, review a product that you already contemplated buying for yourself or what have you, then that content is the differentiator between a site that does okay and a site that does fantastically. When a site gets to Number One Number Two position of Google you are talking a lot of windfalls. And the windfall just keeps coming every day.

Michael: So that you feel is a more important factor than the domain name itself?

Rob: No, both matter. All things being equal the guy with the category defining domain name is going to work. So it is really a combination of a restrictive domain name where the product that is particularly described on that site match to what it is expected based on the keyword domain name and that is what is going to give you multiple pages useful visiting which Google uses as a signal for determining is the site useful. And so you have to have substantial relevant content that kind of resonates with a first time visitor.
Michael: So if I am a domain investor I might be willing to spend some of my time, I don’t want to spend a lot of money, and I am not a technical guy I’m making some broad statements I can come to your service, I can sign up for the onetime fee. I can write additional content as I have time once a week or so and you remove all the technical difficulties. You remove the upgrades, you remove the security warnings, you remove the server uptime issues, I don’t have to go get my own hosting. You are doing that all for me.

Rob: And for no additional cost.

Michael: I got it. So how many customers does Epik power? How many websites does Epik power right now let’s say?

Rob: We power about 50,000 uniques sites for customers and for our own portfolio and I am talking in that case it would be about custom developed sites and then in addition to that we also power a portfolio of what I call incubation sites. Those are sites that are build on the DevHub platform. So that is another tool box that is available for people who are building sites for the first time and don’t want to spend a fortune on building on every site.

Michael: We have got a plane going overhead at Rob’s house.

Rob: Who are building sites from the ground up. So those who essentially walk before you run approach you can incubate hundreds of sites on the DevHub platform for very little cost. And aging the better ones to a higher quality platform like offline portals.

Michael: Are you at liberty to discuss what the total revenue being generated across all of Epik is?

Rob: This is a private company so we don’t want to talk about things on the level of revenue or cash flow, or global of investment into the business. The company powers sites for about 300 customers as our primary custom developing business. And in addition to that we also power a rather large portfolio of our own. In fact if you look at the history of Epik as a company powering the names for other people is almost an afterthought. And it was the success of product portals as a platform that led us to start powering the
names for other customers. And so that started about a year and a half ago and still growing by the root fee. And then in addition we acquired a registrar company and serve 27,000 registrar customers as a result of other condition and we are gradually introducing those registrar customers to the idea of domain names as asset class and about domain development as a way to add value to a domain.

Michael: And so that completes the entire picture of Epik. So if I come to Epik then I can actually make money. I can then apply some of that revenue towards my domain registration which you will have at Epik is I move my domains over to your registrar. The whole life cycle is covered under Epik basically.

Rob: That is right. If you look at what we are doing through the development of MasterBucks as a payment methodology very soon you will be able to receive MasterBucks as a method of payment. Use your MasterBucks to pay your renewal fees and really creating a universal barter framework that can be used across a domain name like position and development and monetization.

Michael: So a lot of domain investors have written to me and talked to me about their hatred for Google. They had a website. It was ranked high in Google and then Panda came along and Panda II came along and now they can’t be found in the websites, they can’t be found in the index anymore. How does Epik develop 50,000 websites and not have them categorized by Google as duplicate content, canned content, too many domain names under the same ip address? How do you address all of those issues?

Rob: Google is an enigma. I can’t say to you that I have deep insight as to how Google works. The reality is that we appreciate the fact that Google sends free traffic to some sites that we are building. But we never built the sites for Google. And that I think is a key differentiating point that a lot of people miss. When we build a domain name into a website we build it with the intention that we want to get as much free traffic that is possible from Google but by itself that does not a business make. You have to in the end create a value proposition that can be reasonable self-sustaining and some of the methodologies that we are developing allow them to form a social media
and around user generated content. Product portals are a great example of how that can be done.

We are giving people the framework for being able to contribute comments, ask questions, some of the eco-system elements that we are incubating, like questions.com, comments.com are shared elements that can be used across any site in our platform. So you post a comment or you ask a question about a product on one of the sites, now you actually have a comment that is also being shown as an abstract on questions.com or syndicated to other sites that are related and that has been giving you a legitimate back link back to the site where the content was originally created. So we understand people’s algorithm and we also understand how to create useful content that is semantically or referentially linked between sites that are related but in a way that gains the system. We don’t believe in doing unnatural acts, in order to be able to gain the availability giving it the result that it wouldn’t otherwise have earned.

We are fundamentally about creating an architecture where things are where you expect to find them and things that are related to each other are linked to each other. Not because of SEO tricks but because it is actually useful. The SEO benefit is a kind of derivative, kind of a benefit on top of the user experience benefit. But we are optimizing for the users the experience and in the process of doing that creating a value proposition that becomes self-sustaining. And Google will give you whatever it gives you. And that is what allows you to essentially test the water on whether or not you can do it and deliver a performing value proposition before you go buying.

Michael: So if I own flyfishingline.com and your own flyfishingnets.com and we both develop them on the Epik platform will your system cross link those two sites together somehow?

Rob: Yes so you as a owner have the option to get basis to improve your sites in a cross linking relationship. So what will happen is at the bottom of your site you will have related sources. And those related stores are potentially related. So that is how we do it.
Michael: And it makes sense to allow it because then I can get more traffic again from people who may have gotten to that website and shared some of the link love.

Rob: In the early days, we did a lot of that. We have a broadly developed cross linking where we are all related stores and linked to each other. And then we have the Google algorithm update in the fall of 2010 where that strategy was really a negative. So as a risk mitigation strategy we did away with the broad cross linking and made it an option instead of a default setting. And I think users would be wise to go with the cross linking activated as a feature because I think you get a lot out of it.

Michael: Across the entire Epik network did you lose page views when Google put out the Panda updates?

Rob: No in November of 2010 we definitely took a hit, it was an algorithm update. And we know why and we actually did because of things that we subsequently corrected. And so we are well past where were and back to all time highs and continue to make all time highs. From a tracking perspective we think that Google is going an admirable job of filtering out useless content, and of course in the process of doing that they also take out a lot of useful content. And it is just the nature of the algorithm approach is that they are not manually inspecting the majority of these sites. Algorithmically they can make some assumptions and forfeit the casualties and it is a regrettable outcome for people who have one or two sites is that they might have all their eggs in one basket and the end result of that is they may well have a busy business on Monday and no business on Friday. That is when the tragedy of Google centric business models is that is you have a few sites and all your traffic comes from Google…You come and you go.

Michael: Rob you are a lifelong student of economics, you have a degree in economics, we have discussed today your experience. You have a take on capital markets that you have expanded upon on your blog. How do you think the capital markets effect the domain name industry today?

Rob: That is a great question. One of the things I am a big believer in is domains as a massive class and part of the motivation for promoting domain
names as a massive class is because of a growing amount of concern that stems back to a couple of years ago about the king of long term liability of fiat currency is used. By fiat currency I’m talking about currency issued by sovereign nations that are not that by anything but the good faith and credit of the respective of Central Bank. And if you look at what is going on around the world we are seeing kind of a growing risk that these Central Banks are going to engage in massive money supply increase in order to keep the system from completely breaking down. And if you look at a general picture around in the United States with the multi trillion dollar deficit pattern and little or no end in sight that pattern is replicated across many other nations in Europe and so there is this coordinated debasement of fiat currencies in part because it allows these nations to be able to afford social programs, defense initiatives, what have you, with money that can’t possibly be created from tax collections. And so these governments are really in a vise grip and it is causing a broad debasement with the currency.

A most recent example of that came earlier this week when the Swiss National Bank turned the Swiss Franc to a Euro - A currency that for many people has limited long term liability from the standpoint of the lack of backing. In the case of the U.S. dollar it may not be backed by hard assets but it is backed by the world’s most advanced military. It is also backed by the future tax base of the software nation with a considerable amount of human capital. And so when I look at the kind of work we are to do from here as we head into what I think is a very tumultuous fall period, I think we are sitting on the precipice of a rather large global economic recess. And when that happens, not if that happens but when that happens there is going to be a need for storing your wealth in alternate forms of value and many people are flocking into gold or other precious metals. Other people are buying apartment buildings and leasing them out and getting renting income. And so people are moving out of cash fiat assets like bonds and are moving into hard assets. The problem with hard assets is that they have high maintenance costs. And you can’t move them instantly.

The beauty of a domain name is you can own it from anywhere. You can operate it from anywhere. You can price it in any currency. And even if there is significant amounts of damages from along the east coast as we head into hurricane season and now we are seeing earthquakes in parts of the world
where we don’t normally see them, physical structures are at risk. And domain names have the advantage that you literally can pick it up from one part of the world and move it to another part of the world and be back in business in a matter of seconds.

Michael: So my take aways from your advice are buy domain names and buy guns.

Rob: It is your constitutional right to bear arms. And I think that it doesn’t hurt to be armed.

Michael: Alright Rob lets finish up with one action step that people who are watching this program can take. They have listened to the whole show. I want to thank you for your gracious time. I think we have been live for about an hour and a half. They have listened to the whole show. They have put in the time. They want to do something with what they have learned about domain development. What is the first thing they should do?

Rob: I would say that one of the things that I really enjoy doing is helping folks to figure out what to go with their portfolio. And so I answer my own email. I don’t even have an assistant. And I am often reachable via Skype at all hours of the day. And so I would say if somebody is thinking about what to do next with their domains and looking for perspective, everybody’s situation is unique and so I would say send me an email rob@epik.com or find me on Skype - Robert Monster. There are not too many Monsters on Skype so you can usually find me with not too much effort and I’d be happy to share whatever perspective that I can bring whether or not that individual becomes an Epik customer. I take a lot of joy from trying to help people figure out what to do with their domains.

Michael: Wow that is very kind of you Robert. I would ask that anybody to email Rob at Epik.com. Don’t send your entire portfolio – 2,000 domain names – try and pick out some that you think are worthy of asking pointed questions to Rob about. If you have a follow up question for Rob and you don’t want to email him directly. If you think it is pertaining to something in the interview you can post it in the comments below this interview. We will ask Rob to come back and answer as many of them as he can. Rob’s websites
are Epik.com and his venture fund is MonsterVenture.com. Rob I thank you for taking the time and coming on today’s show.

Rob: Thanks Mike. I enjoyed talking to you.

Michael: I appreciate all your insights. You are a true DomainSherpa. Thank you all for watching. We will see you next time.

Watch the full video at:
http://www.domainsherpa.com/rob-monster-epik-interview